

State of Nevada
Board for Financing Water Projects
Meeting Minutes

A meeting of the State of Nevada Board for Financing Water Projects was held on Wednesday, March 14, 2007, at 9:30 am at Harrah's Hotel & Casino, Hobby Horse Room, 2nd Floor East Tower, 219 North Center Street, Reno, Nevada.

Board Members Present:

Bruce Scott
Brad Goetsch
Bob Firth
Stephanne Zimmerman

A. Introduction and Roll Call

Acting Chairman, Bruce Scott, called the meeting to order at 9:30 am on March 14, 2007.

C. Approval of Minutes – November 9, 2006

No changes were suggested.

Bob Firth made a motion to approve the minutes.

Stephanne Zimmerman seconded the motion.

Voted in favor of the Minutes Approval: Bruce Scott, Stephanne Zimmerman, Brad Goetsch, and Bob Firth.

Opposed: None.

The motion passed.

D. Approval of Minutes – January 22, 2007

No changes were suggested.

Bob Firth made a motion to approve the minutes.

Brad Goetsch seconded the motion.

Voted in favor of the Minutes Approval: Bruce Scott, Brad Goetsch, and Bob Firth.

Opposed: None.
Stephanne Zimmerman abstained from the voting.
The motion passed.

E. Elect a Board Vice Chairman

Stephanne Zimmerman made a motion to elect Bruce Scott as Vice Chairman of the Board for Financing Water Projects.

Bob Firth seconded the motion.

Voted in favor of the Grant: Brad Goetsch, Bob Firth, and Stephanne Zimmerman.
Opposed: None.
Bruce Scott abstained from the voting.
The motion passed.

F. Set a Date for the Next Board Meeting

Next Board meeting is set for Wednesday, June 20, 2007, in Carson City.

G1. Capital Improvement Grant Program – AB198/AB237 Financial Report

A bond sale for \$6,000,000 was completed on November 28, 2006. Due to significant progress on many of the capital improvement projects and the timely submittal of pay requests for these projects, the grant funding was rapidly depleted. Staff is working with the State Treasurer's Office to secure additional funding for pay requests in the interim period prior to the next bond sale in July 2007.

Bob Firth expressed concern that projects take a considerable amount of time to reach the construction phase from the date the grant is awarded. Construction costs have frequently been higher than the engineering estimate, and the Board questions whether engineers recognize that it could be a year or more before construction begins and build an inflation factor into the unit prices for construction.

An update to the state grant map showing grant funding by county and a spreadsheet showing all individual grants given by the Board from program inception through January 2007 was included in the Board binders for review and comment by the Board members.

G2. Capital Improvement Grant Program – Letter of Intent & Grant Application for a PER for the Town of Gabbs

Michelle Stamates presented a summary of the project and request. The Town of Gabbs is located in northwest Nye County, 30 miles south of the old Middlegate Station at the intersection of Highways 50 and 361. Gabbs is approximately 77 miles southeast of Fallon and 58 miles northeast of Hawthorne. It is believed that the Gabbs Valley was named after William More Gabb, a paleontologist who was a member of a survey team back in the 1860s.

In the late 1920s, brucite (a magnesium bearing mineral) was discovered in the valley. Brucite grew slowly then boomed with the onset of World War II and the need for magnesium in the production of defense weaponry. The ore was transported to the Basic Magnesium, Incorporated, (better known as BMI) plant in the town of Henderson south of Las Vegas. By the end of 1942, hundreds of workers and their families lived in new town sites named North Gabbs and South Gabbs. The Korean War and the opening of a new BMI plant in 1951 spurred the town's growth. Gabbs became the only city in Nye County on March 29, 1955. At that time, the area mines were still operating at full capacity and were the life-blood of the community.

The city fared well for many years and at its peak may have reached 1,000 residents. According to the 1970 U.S. Census, the population was 874. Since then, mining operations have been severely curtailed, and as of the 2000 census, it was the smallest city in Nevada having a population of 318. Gabbs' tax base could no longer sustain a municipal government and, for the first time in over 100 years, the state legislature disincorporated a municipality. On May 8, 2001, the city once again became the Town of Gabbs.

The Gabbs water system has one production well, one emergency well, and one 500,000-gallon storage tank. The system is in violation of the state drinking water standard for fluoride and is currently on quarterly monitoring for arsenic.

Nye County Public Works is responsible for the operation of the water and waste water facilities in Gabbs and is an eligible grant recipient per NRS 349.983. This letter of intent requests approval to pursue a grant application to complete a Preliminary Engineering Report. Initial water system needs identified by the system operator include fluoride treatment, a new well, telemetry upgrade, meters, and replacement of some 3-inch water lines. The purpose of the PER is to determine the best alternatives for system rehabilitation, for fluoride treatment, and if necessary, for arsenic treatment.

Nye County uses an enterprise fund to account for its water and sewer activities in the Town of Gabbs. The water system in Gabbs is metered; however, a metered rate is not charged. Water service is charged at a flat rate of \$62 per month. According to the Board's policy, a reasonable monthly water rate, based on 1.5% of the median household income of \$28,500, is \$35.63 per month for residential users in the Town of Gabbs. Gabbs residents also pay \$6.40 per month for sewer services.

In January 2007, the Nye County Board of Commissioners approved a legislative request for the 2007 Legislative session creating the Nye County Water Authority. Among its powers and responsibilities will be the development of policies and water efficiency bylaws for each of its water districts, including the Town of Gabbs.

Pursuant to NAC 349.480, the Bureau of Safe Drinking Water reviewed this letter of intent to complete a PER for the Town of Gabbs. Given the condition of the distribution system and the

occurrences of fluoride and arsenic, it is recommended that a PER be completed to determine the appropriate actions to take.

NAC 349.471 states, "...the board interprets 'costs traditionally associated with capital improvements' to include: Any costs that are not directly related to the actual construction of the capital improvements, including, without limitation, costs for engineering, design, construction, legal and financial services and acquisition of water rights, easements and rights-of-way." Based on this definition and the requirements for safe drinking water, this Letter of Intent to submit a grant application for the development of the proposed PER and pilot testing is recommended for approval subject to the conditions given. The grant amount should not exceed \$25,925, or 85% of the eligible project costs estimated to be \$30,500 and is subject to the conditions given. The County's match would be paid out of system revenues.

CONDITIONS

- The County is subject to the provisions of NAC 349.554 through 349.574 regarding the administration of this grant.
- The PER must be prepared in accordance with the USDA RD Bulletin 1780-2 and the Infrastructure for Nevada Communities PER Checklist.
- Cost estimates need to be prepared in accordance with the Board's policy on Construction, Engineering, and Contingency.

Dean Day and Martin Ugalde of Day Engineering and Samson Yao of Nye County Public Works provided testimony and answered questions from the Board. Dean Day expressed concern that the funding requested in the application did not include money for fluoride or arsenic pilot testing as recommended by staff. In addition, pilot test may not be necessary if another source, free of fluoride and arsenic, is identified through water quality testing of wells in the vicinity. The County would like to see the PER done one step at a time with the water quality and system condition being evaluated first. Brad Goetsch asked about the current meters and why they were not in use. Nye County inherited this system and did not have information on the condition of the meters except that they appeared to be old and most did not function properly if at all.

The backup/emergency well has poorer water quality than the primary well. Treatment is considered to be the last resort for this small community due to initial construction and operation and maintenance costs. Should an alternate groundwater supply not be located and treatment costs turn out to be prohibitive, the County could potentially seek a hardship variance from the State Environmental Commission for the fluoride. A variance would not be available in the event that arsenic is ultimately determined to be an issue. In order to pursue a potential variance on fluoride, the PER would need to include, at a minimum, costs for pilot testing and various treatment options that would bring the water system into compliance. If arsenic is a problem after four quarters of monitoring, Gabbs will need to treat for arsenic if another source that is free of arsenic cannot be located. The time frame on the PER is estimated to be approximately three months.

Stephanne Zimmerman made a motion to approve the letter of intent to approve the scope of a first phase of a PER with a total cost of \$30,500, the grant amount of which is \$25,925 or 85% of the total cost with the conditions outlined by staff and an additional condition being the inclusion of cost estimates for the treatment and O&M for fluoride/arsenic.

Bob Firth seconded the motion.

Voted in favor of the Grant: Bruce Scott, Stephanie Zimmerman, Brad Goetsch, and Bob Firth.
Opposed: None.
The motion passed.

RECOMMENDATION FOR GRANT APPLICATION FOR A PER FOR THE TOWN OF GABBS

This grant application for the development of the proposed PER, which is a cost of preliminary engineering is recommended for approval as a 2-year grant subject to the conditions stated in the letter of intent review. The grant amount should not exceed \$25,925, or 85% of the eligible project costs estimated to be \$30,500.

Brad Goetsch made a motion to approve a 2-year grant to Nye County for a PER for the Gabbs water system for a grant amount not to exceed \$25,925 or 85% of the total eligible project cost of \$30,500. This is a resolution designated the 03-07-G2 Town of Gabbs PER; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to provide a grant for the purpose of financing certain projects; making certain findings of fact and providing other details in connection therewith subject to the recommendations and conditions of staff and an additional condition being the inclusion of cost estimates for the treatment and O&M for fluoride/arsenic.

Bob Firth seconded the motion.

Voted in favor of the Grant: Bruce Scott, Stephanie Zimmerman, Brad Goetsch, and Bob Firth.
Opposed: None.
The motion passed.

G3. Capital Improvement Grant Program – Grant Application for a Capital Improvement Project for Topaz Ranch Estates

Michelle Stamates presented a summary of the project and request. Topaz Ranch Estates is located on Highway 208 in southern Douglas County, approximately 17 miles south of Gardnerville and 6 miles west of Wellington. Topaz Ranch Estates is a rural development of homes on primarily 2-acre or larger lots. The original intent of the developer, John Arden, was that each home would have its own domestic well. When homeowners had difficulty developing productive domestic wells, Mr. Arden started serving Topaz Ranch Estates with his own wells and a water utility was formed.

The Topaz Ranch Estates General Improvement District was first created by the Douglas County Commission with powers limited to operation of a road system and drainage facilities for the subdivision known as Topaz Ranch Estates. After a long history of water complaints from their constituents, the District considered purchasing the water system. This utility was privately owned and was operated under the jurisdiction of the Nevada Public Utilities Commission until December 16th, 1997, when the ownership of the utility was transferred to the District. The District is an eligible grant recipient per NRS 349.983.

In June 1999, the Board for Financing Water Projects awarded a grant of \$2,398,372 (85% of the eligible project cost of \$2,829,893) to the District. The project included water mains, fire hydrants, service connections, and 2 storage tanks.

The District has 890 acre-feet of water rights and uses approximately 325 acre-feet of water per year. The District has four active wells and one inactive well. Well #1, constructed in 1980, is the newest of the wells and is the primary production well supplying about 75% of the water used in the system. Well #3 was drilled and constructed in 1978. It is capable of pumping 185 gpm; however, the well will run dry if continuously pumped. Well #3 is run on a 2 weeks on / 2 weeks off cycle. The remaining active wells (Wells 2 and 5) do not produce enough water to act as a back-up for Well #1. If Well #1 was taken off-line for a significant length of time, the District would be unable to meet their average daily demand in the summer months. Water quality is in accordance with State and Federal drinking water requirements.

A Water Conservation Plan was originally produced and approved in 1999 and was updated in September 2006. The average daily use per residential unit has ranged from 300 to 337 gallons per day.

In August 2005, the Board approved a letter of intent for phases 1 and 2 of a large, multi-phase project. A grant percentage of 67.48 was calculated for the project.

This grant application proposes to install a new well and approximately 14,300 linear feet of new 8-inch C900 PVC water main. The project will also install gate valves, fire hydrants, and will tie existing services to the new main. The old 4-inch mains are over 25 years old and experience maintenance costs due to leaks. In addition, these mains are unable to support fire hydrants for fire protection. The new well is projected to have a yield similar to that of Well #1. The well originally proposed at the letter of intent phase was expected to be drilled across State Highway 208 on the property owned by the Sleeping Elephant Ranch; however, an easement agreement with the owners could not be reached. The new well is now planned to be constructed at the Douglas County Park. The project schedule currently shows design completion by August 2007 and construction completion by approximately December 2007.

A full financial analysis is attached to this summary. The Board's policy of alternative funding will require that the District apply for a loan for any capital improvement projects for the maximum amount possible that will not cause an increase in annual water rates to exceed 1.5% of the median household income. That water rate (based on 1.5% of a MHI of \$29,698) is \$37.12 per month for residential users in the Topaz Ranch Estates. With the increase in water rates in April 2005, all users now pay a monthly fee of \$25.12 plus \$1.90 per 1,000 gallons of water usage. Based on a 15,000 gallon per month usage, an average user would pay \$53.62. The residential connection fee is \$2,400.

Topaz Ranch Estates currently includes 821 buildable lots with over 95% of these being zoned for residential development. Based on the connection information provided, approximately 751 of these lots are developed. Growth is expected to be very slow at approximately 7 new homes per year through 2014. There is, however, a potential for development in areas adjacent to the District, and should future development purchase water from the District, those sales would help offset the cost of the proposed project.

The District secured a USDA loan and grant to cover the costs for this project not met by the AB198 grant program. Based on the financial information provided, it appears that the District is financially prepared to do this project.

Pursuant to NAC 349.480, the Bureau of Safe Drinking Water reviewed this grant application to determine project eligibility based on the state regulations adopted in conformance with the

federal Safe Drinking Water Act. The system capacity, pressures, and fire flow requirements do not meet the regulations for Public Water Systems and the Federal Safe Drinking Water Act. It does not appear that the water system has a complete capital improvement plan. This would include all system modifications that are needed to comply with the regulations. The hydraulic model should support all proposed changes to bring the system into compliance. Hydraulic modeling presented to date does not take into account the entire system.

The project phase proposed in this application will begin to bring the system into compliance, will help to reduce maintenance costs for leak repairs on some lines, and will provide a backup source of potable water. Note that subsequent phases of pipeline replacement must also be completed to eliminate the inadequate pressures in the system and provide for fire flow.

The proposed pipeline replacements west on Granite Way and on Pearl Road do not provide improvements to the looping of the system and, according to the engineer and water system operator, are included for a future tie-in to the water systems at Holbrook Junction. No leaks are noted on this section of pipeline. Staff recommends that this work be deferred to a future phase of the project when an inter-tie has been properly assessed as part of an overall capital improvement plan. The pipeline currently planned for west Granite Way and Pearl Road should be used to replace more of the 4-inch pipeline east on Granite Way or along sections of Albite Road or Topaz Ranch Road that make up the loop with Sandstone Drive.

Staff recommends that this project, with modifications, be approved for a grant totaling \$1,471,452.01 which is 67.48% of the estimated eligible project cost of \$2,180,000 for a 2-year period.

CONDITIONS

- The District is subject to the provisions of NAC 349.554 through 349.574 regarding the administration of this grant.
- A permanent easement must be obtained from Douglas County prior to the State signing a funding agreement for this project.
- A funding agreement must be signed with the State within six months of the date of the resolution signed by the Board.

Added condition:

- The District must complete a capital improvement plan that includes all improvements necessary to bring the system into compliance. In addition, the District must provide a hydraulic model showing that the proposed improvements will bring the system into compliance.

Adam Scott from TEC, Betty Rebiejo from the TREGID, and Ole Chavez TREGID water operator provided testimony and answered questions from the Board.

Dana Pennington expressed concerns about wellhead protection in the District and specifically with the new well. The planned location at the park meets the conditions of distance from existing septic systems and will have the maximum sanitary seal required by regulation.

Brad Goetsch asked about the number of fire hydrants and the actual system needs.

Stephanne Zimmerman asked the applicant to review the project phasing and the differences between the letter of intent and grant application. Stephanne would like to see the capital improvement plan discussed with regard to future ability to financially sustain the system. The TREGID is planning to sell some of their existing water rights in the future to help provide the District's match funding for subsequent phases of this project.

The Board reviewed the issues surrounding the easement. Ole Chavez pointed out that the original developer, James Arden, gave the Douglas County Parks Department the land for the park with no fee or other conditions.

Andrea Seifert noted that this phase of the project will provide only a backbone to the system. It will take all of the remainder of the planned project to actually bring this system into full compliance.

Bruce Scott strongly suggested that the TREGID look at increasing the connection fees to provide a source of revenue that would help to possibly provide more match to future phases of their project. Due to the funding remaining in the grant program and the need to help as many smaller, less financially capable systems with arsenic treatment and other alternatives, it may be necessary for the Board and staff to seriously review system requirements like fire flow and require more of a contribution from the water system itself. The grant would then potentially provide funding to help provide general fire protection in the area rather than providing fire hydrants along all of the residential streets in a widely distributed water system.

Brad Goetsch made a motion to approve a resolution designated the 03-07-G3 Topaz Ranch Estates Water Distribution System Improvements Project; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to provide a grant for the purpose of financing certain projects; making certain findings of fact and providing other details in connection therewith subject to the recommendations and conditions of staff and the conditions in the resolution. This recommendation is for a grant totaling \$1,471,452.01 which is 67.48% of the estimated eligible project cost of \$2,180,575 for a 2-year period subject to the staff conditions and the additional condition that the pipeline currently planned for west Granite Way and Pearl Road will be used to replace more of the 4-inch pipeline east on Granite Way or along sections of Albite Road or Topaz Ranch Road that make up the loop with Sandstone Drive.

Bob Firth seconded the motion.

Voted in favor of the Grant: Bruce Scott, Stephanne Zimmerman, Brad Goetsch, and Bob Firth.

Opposed: None.

The motion passed.

G4. Capital Improvement Grant Program – Grant Increase Request for the Sheridan Acres Water System Improvements Project

Michelle Stamates presented a summary of the project and funding request. The Sheridan Acres subdivision is located in Douglas County, southwest of Minden and Gardnerville. The subdivision is at the foot of the Carson Range, off of Foothill Road. Douglas County is the grant applicant for Sheridan Acres and is an eligible grant recipient per NRS 349.983.

The Sheridan Acres Water Company began operating around 1970. The Public Utilities Commission imposed a service connection moratorium in December 1995. In May 1997, the water company was put into receivership. Douglas County took over the water system on January 28, 2005.

The Sheridan Acres Water Company did not meet current Nevada regulations for water storage, well capacity, or redundant water source. Sheridan Acres had a history of running out of water, and in 2005, an emergency inter-tie was made with the Jobs Peak subdivision.

A new well and treatment system were completed in August 2006. The water storage tank, currently under construction, will be tied into the Jobs Peak storage tank to provide redundancy to the Sheridan Acres system. The County is requesting additional grant funding to complete the storage tank and metering elements of this project. These systems improvements support only the Sheridan Acres part of the Foothills water system.

A full financial analysis is attached to this summary. As stated in the financial analysis, a significant change occurred in the accounting structure of the Foothills Water Utility Fund when the Jobs Peak Water System was purchased by Douglas County and incorporated into the existing fund. Including Jobs Peak increased the customer base by 50%. The median household income shown in the application submitted by Douglas County is for the Sheridan Acres subdivision only. Staff does not have the information necessary to show the median household income for the Foothills Water Utility.

Water rates for the Sheridan Acres subdivision are currently a flat rate of \$125 which is 2.79% of the MHI of \$53,801 for Sheridan Acres and satisfies the Board's policy on reasonable water rates. Water meters will be replaced in the Sheridan Acres subdivision during Phase 2 of this project. With no MHI information, it is not clear whether the \$65 flat rate paid by customers of the Jobs Peak subdivision is in accordance with the Board's policy. According to the president of the homeowners association for the Jobs Peak subdivision, a majority of the homes are not primary residences.

Douglas County funded the initial 30.1% match to this project through State Revolving Loan Funds. The County Commission is reviewing this project for either county grant monies or bonds that will be passed along to the users of Sheridan Acres through additional rate increases to make the additional match funding for this project.

Staff recommends that the Board approve an increase in funding of \$373,186.06 for a total grant amount of \$1,632,119.63 based on 69.9% of the total eligible project cost of \$2,334,935.09. The grant continues to be subject to the conditions of the original grant.

The County has requested that the funding agreement be amended to allow the County to use the Board's revised capital replacement policy of May 3, 2006. Their current water rate assumes this approval and without this change, the County will be forced to raise the water rates an additional \$15 to comply with the old policy. Staff recommends that the Board approve this change.

Carl Rushmeyer and Ron Roman from Douglas County provided testimony and answered questions from the Board.

Bob Firth noted the considerable amount of money per connection that this project is costing. Ron Roman stated that both construction and materials costs as well as a difficult bidding environment contributed to the higher than expected costs. Most of the additional costs were due

to construction costs but some engineering increase was also required. The engineering overruns were primarily due to issues with the test well and contractor issues.

Stephanne Zimmerman asked if SRF funding would be sought to fund the additional match. The County is hoping to provide grant funding from the general fund to make the match. If additional funding is received from the grant program, this additional funding will require an increase of approximately \$18 in monthly water rates to cover the required capital replacement account. Should additional grant funding not be made available, the water rates increase could be \$63 or more forcing a monthly water rate of \$188 or more.

Bob Firth asked about the meters in the system and the inter-tie with Jobs Peak. Many of the existing meters are substandard and/or broken. The County is in the process of doing a rate study for future metered rates for Sheridan Acres and Jobs Peak. The inter-tie is a one way directional flow through a PRV and control valve system from the Jobs Peak tank to the Sheridan Acres tank providing a backup system for Sheridan Acres.

Brad Goetsch noted the considerable amount of grant funding to Douglas County over the history of the grant program and the cost per connection for the Sheridan Acres project.

Douglas County has a master planned service area for the Foothills Water System that currently includes only the Sheridan Acres and Jobs Peak subdivisions. Future development in the area that may plan to connect to the Foothills Water System would fund any necessary aspects of water system growth.

The Board discussed their concerns over the issues with Douglas County and the Topaz Ranch Estates with the hope that the Douglas County engineer, who has served as a mediator for this easement negotiation, could take a message back to the County. The Douglas County Parks Department owns and operates their own water facilities independent of the Douglas County Utilities Department. The Board would like to see the inter-county agencies be more cooperative in their dealings. Any agreement would have to be approved by the Douglas County Board of County Commissioners. Nhu Nguyen suggested that the June agenda should include someone who could speak to this issue for Douglas County if this issue is not resolved prior to that meeting.

Bob Firth made a motion to approve a resolution designated the 03-07-G4 Sheridan Acres Water Distribution System Improvements Project; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to provide a grant for the purpose of financing certain projects; making certain findings of fact and providing other details in connection therewith subject to the recommendations and conditions of staff and the conditions in the resolution. This recommendation increases the original grant amount by \$373,186.06 for a total grant amount of \$1,632,119.63 based on 69.9% of the total eligible project cost of \$2,334,935.09 subject to the original grant conditions.

Brad Goetsch seconded the motion.

Voted in favor of the Grant: Bruce Scott, Stephanne Zimmerman, Brad Goetsch, and Bob Firth.

Opposed: None.

The motion passed.

G5. Capital Improvement Grant Program – Grant Change of Scope for the Pershing County Water Conservation District Irrigation System Capital Improvements Project

Michelle Stamates presented a summary of the project and request. Subsequent to the completion of the Pershing County Water Conservation District System Master Plan funded by the Board, the District applied for a grant under the AB 198/237 program for an irrigation system improvement project. The Board's staff and the Nevada Division of Water Resources concluded that the provisions of NRS 349.981 made the elements presented in the project grant eligible in that the project was improving both the efficiency of irrigation operations and water storage. The original grant was approved by the Board in May 2006 for \$3,956,282.50 which is 85% of the total eligible project cost of \$4,654,450 for a 5-year period. Improvements to the Rodgers Dam, located in the District near Lovelock, were included in the original project.

The reservoir that backs up behind the Rodgers Dam is diverted into the Union-Rodgers Canal which provides irrigation water to 60% of the ranches in the valley. The Rodgers Dam failed on July 18th, 2006, as a result of the very high flows in the Humboldt River that undermined the concrete control section of the dam making it useless. Severe economic hardship could have been experienced by the farmers of the lower valley if deliveries to Union-Rodgers Canal could not be reestablished.

The dam could not be patched for temporary use, and the Division of Water Resources Dam Safety, Dyer Engineering, Farr-West Engineering, and the District worked together to devise a temporary earth dam (cofferdam) design that would provide the quickest and least expensive way to get water flowing into the Union-Rodgers Canal. The cofferdam was constructed during a two-week time period between July 23 and July 31, 2006. Flow to the lower valley via the Union-Rodgers Canal resumed immediately thereafter with minimal disruption in the irrigation schedule.

On July 28, 2006, the Board approved a motion to reallocate already approved project funding for the construction and costs involved in the emergency temporary dam, for study and construction of an improved bypass around the dam, and also for preliminary engineering and geotech work to begin moving forward on a new permanent structure. The grant amount was not to exceed \$850,000 for this effort (85% of \$1,000,000) and the District needed to come back to the Board with planning and information. This reallocation of grant funding was contingent on the District expending their emergency funds and continuing to pursue other state and federal funding.

As a result of the July 2006 Board meeting, the only original project element that would move forward was the Old Channel / Union Canal diversion structure as it had match funding from the Bureau of Reclamation and was time sensitive. The rest of the project was frozen.

The bypass around the cofferdam, geotechnical studies, and preliminary engineering design for rebuilding the Rodgers Dam are currently in progress. It appears that the District has an immediate need for \$569,500 in additional grant assistance with the elements directly related to the Rodgers Dam failure and the Board's July 2006 motion. The District and Dyer Engineering provided a progress report and a summary of the expenses incurred and expected to date. Note that additional grant funds are not being requested at this meeting; however, the use of more of the original grant funds is being requested for this emergency project.

Staff recommends the reallocation of a total of \$1,419,500 from the original grant funds which is 85% of the total estimated eligible project cost of \$1,670,000 to complete the improved by-pass around the dam and to complete the design for the new Rodgers Dam.

Bennie Hodges of PCWCD and Walt Slack of Dyer Engineering provided testimony and answered questions from the Board. Bennie Hodges noted that the bypass around the cofferdam and future Rogers Dam was built to handle higher flow rates under flooding conditions and therefore will allow for a slightly smaller new Rogers Dam design with subsequent materials and construction cost savings. Board members made a trip to see the improved bypass on March 9, 2007, and were given a project overview at that time.

Stephanne Zimmerman asked if alternate funding had been secured for this project and was told that Assembly Bill 302 was introduced on March 14, 2007, by Assemblyman Goicoechea and Senator Rhoads to provide \$3,000,000 from the state general fund for emergency repairs to Rogers Dam.

Brad Goetsch noted that the PCWCD was a model for cooperation and speed of engineering and construction. Estimates were made close enough to the work timeframe to avoid inflation. It should be noted that using the grant funds for the emergency project has taken money from the original project elements and the PCWCD would need to come back to the Board with updated cost for those elements for consideration of additional project funding at a future date.

Brad Goetsch made a motion to approve the PCWCD's request to move \$569,500 in additional grant assistance with the elements directly related to the Rodgers Dam failure and the Board's July 2006 motion allowing the reallocation of a total of \$1,419,500 from the original grant funds, which is 85% of the total estimated eligible project cost of \$1,670,000, to complete the improved bypass around the dam and to complete the design for the new Rodgers Dam. In addition, the PCWCD may now also use original grant funding designated for the engineering review and design for the Pitt Taylor diversion structure to begin this element of the original project.

Bob Firth seconded the motion.

Voted in favor of the Grant: Bruce Scott, Stephanne Zimmerman, Brad Goetsch, and Bob Firth.

Opposed: None.

The motion passed.

G6. Capital Improvement Grant Program – Progress Reports for Funded AB198/237 Projects

Bob Firth asked about the Gerlach treatment plant and its status to date. The plant is on-line and functioning as designed at present.

Bob Firth asked about the status of the Walker River Irrigation District's project. The project is currently pending resolution of a law suit brought against the District by the low bidder who was not selected for the project due to qualification concerns. The District is currently in a position to begin work as soon as this suit is settled.

Brad Goetsch expressed some concern about the monthly reporting from the grantees. This tracking has been added to the Board binders at the request of the Board.

G7. Capital Improvement Grant Program – Progress Reports and Financials for Funded SB62 Projects

The progress report and financials were provided with current project updates in the Board binders.

H1. Drinking Water State Revolving Fund (DWSRF) Program – Discussion and Possible Approval of the 2007 Priority List

Adele Basham presented a summary of the 2007 Priority List. This agenda item is requesting approval of the Year 2007 Priority List. Annually, NDEP does a statewide solicitation for proposed water projects (NAC 445A.67566). This solicitation resulted in 8 new projects being added to the proposed 2007 Priority List. In addition all systems on the 2006 Priority List were notified that in order to remain on the priority list for 2007, they had to submit a written request. The failure to submit a written request resulted in 10 systems being removed from the priority list.

Projects are ranked based on their relative health risks. Additional prioritization for arsenic projects was used in ranking projects for the proposed 2007 Priority List. Water systems under a Bilateral Compliance Agreement for violations of the primary drinking water standard for arsenic have been given a higher priority than those water systems that have received or are eligible to receive an exemption for arsenic. For those systems eligible for an exemption, ranking of projects was adjusted based on the arsenic concentration, with higher arsenic concentrations ranking higher based on exemption eligibility criteria in the following order. The thinking behind this is those systems with lower arsenic present a lower risk to public health and will possibly have the option to extend the time on their exemptions.

Within each of these groups, ranking was based on population, with the higher population given the higher ranking.

NDEP held a public workshop on the proposed 2006 Priority List in Carson City on April 6, 2005. The proposed revised list and notice of the workshop was sent to all systems with projects on the list. A public notice of the workshop was published in newspapers in Reno, Las Vegas, Carson City and Elko. No substantive comments were received at the workshop. Staff is recommending approval the 2006 Priority List.

Bob Firth asked if there were any major changes to the list and if any system moved up or down significantly. There were no major movements up or down the list.

Brad Goetsch asked about the priority of systems and when they would actually ask for funds. Adele Basham explained that the federal grant requires that the funds in the SRF be used within a certain timeframe and some water systems are given loans ahead of others because they are ready to construct their project. A Board member suggested that staff needs to keep the Board apprised of the systems on the priority list and the funding that may be necessary to support the highest priority systems. Staff explained that systems come for funding when they are ready; and that the

Bureau of Safe Drinking Water has the regulatory and enforcement authority to force the systems to come into compliance with state and federal drinking water regulations. The DWSRF cannot force systems on the list to come in for a loan.

Stephanne Zimmerman made a motion that the Board approve the resolution designated the Year 2007 Project Priority List, Drinking Water State Revolving Fund – Division of Environmental Protection; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to approve the priorities for determining which water systems will receive money from the account of the revolving fund as required in Nevada Revised Statutes 445A.265(3); making certain findings and providing other details in connection therewith.

Brad Goetsch seconded the motion.

Voted in favor of the Grant: Bruce Scott, Stephanne Zimmerman, Brad Goetsch, and Bob Firth.

Opposed: None.

The motion passed.

H2. Drinking Water State Revolving Fund (DWSRF) Program – Discussion and Possible Approval of a Loan Commitment to the City of Fallon

Adele Basham presented a summary of the project and request. The City of Fallon is located in Churchill County approximately 60 miles east of Reno. In 1903, the National Reclamation Act was passed by Congress, which provided funds to build Lahontan Dam on the Carson River and opened up the entire area for homesteading. By 1915, the dam was constructed, turning the desert into a network of irrigation canals and farms. Farming in the area has continued to thrive, producing hay, grains and livestock. Fallon is also home of the Top Gun Fighter training located at the Fallon Naval Air Station.

Fallon has applied for a \$1.75 million loan to build additional storage. In April 2004, the City of Fallon's arsenic removal treatment plant went on line. The City has recognized that additional storage is needed to:

Increase operational efficiency at the treatment plant and effectively increase the plant capacity. Currently, the plant must ramp up and down to match the daily fluctuations in demand. Additional storage will allow the plant to run at a steadier rate and will help serve the peak demands.

Provide additional storage for Naval Air Station (NAS) Fallon. NAS Fallon draws their treated water directly from the City's distribution system. A new tank at the correct hydraulic elevation will provide water directly to NAS Fallon as needed.

Reduce maintenance to the City's distribution system. A storage tank matching the City's distribution system's hydraulic elevation will maintain pressures within a tighter range and allow the pressures to be controlled more reliably by gravity.

The new storage tank and the related piping would allow the City to use water stored in the NAS Fallon tank during an emergency. The two systems are currently connected but because of the relative tank elevations, the City is not able to utilize the NAS Fallon tank.

The City needs additional storage to meet AWWA storage requirements. New tanks have been postponed for many years in anticipation of changes in the distribution system related to treatment. Now that the treatment plant is constructed and the distribution system has been modified, a new tank can be designed and constructed.

The proposed project consists of constructing a 3.0 million gallon storage tank, installing approximately 3,160 feet of 12-inch PVC, 2960 feet of 14-inch PVC, and 2,100 feet of 24-inch PVC pipelines, control and isolation valves, electrical controls, site fencing and other necessary appurtenances. The construction will consist of two primary contracts, one for the construction of the tank and the other for the installation of the pipelines. The tank has already been purchased and is ready to be transported to the site. The designs for both the tank construction and pipeline installations were completed in October 2006. Bid documents will be finalized as soon as the funding is secured and dates established.

The project does not require disturbing any land that has not already been disturbed and is not expected to have a significant effect on the quality of the human environment. Consultation with the State Historic Preservation Office has been initiated. NDEP has determined that the City of Fallon water improvement project meets the criteria for the categorical exclusion exempting them from further environmental review. Notice of the proposed categorical exclusion determination by NDEP was published in the Lahontan Valley News on January 9, 2007. The notice was also circulated through the Nevada State Clearinghouse. If no comments are received, a categorical exclusion can be granted.

Consultation with the State Historic Preservation Office has been initiated. Compliance with section 106 of the National Historic Preservation Act will occur before construction begins.

The project is estimated to cost \$1,750,000 of which \$1,735,000 will be used for construction and \$15,000 for financing costs. The project will be funded 100% by DWSRF.

The City of Fallon has the financial capability to handle the loan. Water rates were increased when the treatment plant was constructed in 2002-2003 with approved yearly increases. The City added commodity rates, meter fees, connection fees and miscellaneous charges, all with the net result of increasing operating revenues by 250% during that period.

As of February 21, 2007, the Drinking Water State Revolving Fund has \$15,603,560 cash in the loan fund and \$8.5 million in EPA grant funding available. Of that amount, \$20.9 million is already committed to projects, leaving a balance of \$3.2 million available for new loans.

If the Board approves Fallon for \$1.75 million, the Revolving Loan Fund will still have \$1.45 million to obligate. Over the next year, the Fund will receive additional \$4.7 million in reloan funds and we anticipate that the 2007 federal allocation will add another \$6 million. The DWSRF will have the capacity to fund approximately \$10 million in new water projects in the upcoming year.

The Division recommends that the Board for Financing Water Projects approve a loan commitment from the loan fund of the DWSRF in the amount of \$1,750,000 to the City of Fallon. It is recommended that the loan commitment be contingent on pending review and approval of bond counsel for Fallon's issuance of a bond to be used as collateral for the loan. The loan will be for a term of not to exceed 20 years and at an annual interest rate of 66% of the appropriate

bond buyers index at the time the loan contract is signed. The Division and the City of Fallon will negotiate the terms and conditions of a loan agreement.

Gary Cordes, Clerk Treasurer for the City of Fallon, and Larry White, Engineer for the City of Fallon, provided testimony and answered questions from the Board.

Bob Firth asked about cooperative efforts between the City of Fallon, Churchill County, and NAS Fallon to consolidate systems and provide for the total area to make the system more cost effective. Larry White stated that agreements between the City of Fallon and NAS Fallon achieved joint treatment for arsenic; however, future cooperative efforts needed to start at the upper management level and he would take that message back to the City.

Brad Goetsch encouraged the City to work toward taking over the water supply to Ember Mobile Home Park.

The tank was pre-purchased with City money and is not a part of the loan. With the addition of this tank, the City will approximately double their current 3.2 million gallons of storage. Interconnects between the City, NAS Fallon, Churchill County, the Tribe, and other smaller entities need to be carefully reviewed to help one another with the issues of water treatment, fire flow, etc.

Stephanne Zimmerman made a motion that the Board approve a loan from the loan fund of the SRF for an amount of \$1,750,000 to the City of Fallon for a term of not to exceed 20 years and at an annual interest rate of 66% of the appropriate Bond Buyers Index at the time the loan contract is signed. The Division and the City of Fallon will negotiate the terms and conditions of a loan agreement. The resolution designated the 3-2007 City of Fallon Project Loan Commitment Resolution; pertaining to the determination by the Board for Financing Water Projects of the State of Nevada to approve a loan commitment for the purpose of financing certain projects; making certain findings and providing other details in connection therewith.

Bob Firth seconded the motion.

Ray Davis of the Division of Water Resources asked if a Water Conservation Plan is required for the loan. It is not a requirement of the SRF loan program but is of the grant program.

Voted in favor of the Grant: Bruce Scott, Stephanne Zimmerman, Brad Goetsch, and Bob Firth.

Opposed: None.

The motion passed.

F. Board Comment

Brad Goetsch appreciated the workshop and would like to see the Board continue to follow the guidance of their own policies and prior requests of systems.

Bruce Scott is working to have some minor text changed in the grant statute to clarify the range of grant amounts that the Board can give. Some additional awkward language that could be construed as a cross-connection will also be corrected.

G. Public Comment

Tom Porta stated that recent meetings with the EPA went well; however, it appears that funding for Rural Water may be in jeopardy. NDEP plans to write letters to the EPA requesting that the funding be continued. The EPA was pleased with Nevada's DWSRF utilization factor at 100% which met both the regional and national levels. Marvin Young with the EPA will be retiring and Sara Jacobson will replace him.

NDEP has consolidated both of the SRF programs, the grant program, and the Brownfields financials into one branch called the Office of Financial Assistance under Adele Basham. During the budget hearing, the Legislature wanted to be sure that the State Controller's Office approved of the consolidation of the SRF programs under one branch. The Controller's Office did approve this combination of financial programs.

There are currently few bills on water issues. There are potentially three funding bills that could come out of this session. The first being another installment of \$1,000,000 for the SB62 grants. NDEP plans to attach a note to the bill regarding additional staff and clarification from the Legislature on their intent. The other possible bill is \$1,000,000 for information management on water rights management. The last is a bill to assist in funding resources for growth. NDEP plans to attach fiscal notes for additional staffing of these programs.

Tom cautioned the Board to be careful with the priority list and not mix responsibilities of the regulatory and fiscal sides.

H. Adjourn

The meeting of the Board for Financing Water Projects was adjourned at 2:45 pm.